Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps To Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act	)	GN Docket No. 12-228

COMMENTS OF ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.

Leonard A. Steinberg
General Counsel and Corporate Secretary
Richard Cameron
Assistant Vice President and Senior Counsel
ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.
600 Telephone Avenue
Anchorage, Alaska 99503

Karen Brinkmann
Robin Tuttle
KAREN BRINKMANN PLLC
555 Eleventh Street, NW
Mail Station 07
Washington, D.C. 20004-1304
(202) 365-0325
KB@KarenBrinkmann.com

Counsel for ACS

September 20, 2012

SUMMARY

Advanced services are not yet being deployed in a reasonable and timely fashion throughout the nation. Broadband deployment in rural Alaska lags behind that of the rest of the nation by a significant margin. Although the FCC recognizes the utility – even the necessity – of access to broadband for all Americans, it has not clearly defined a path to ensure that Alaska residents will have that access within a reasonable time frame. Alaskans that do have access to broadband have benefitted from its innovations for jobs, education, health care, energy, the environment, public safety, and national security, in addition to communications used in nearly every facet of daily life. But with nearly 49 percent of rural residents in Alaska still lacking access to broadband, much work remains to be done.

The FCC should revise its Connect America Fund ("CAF") program so that sufficient and predictable levels of support are made available for unserved areas in parts of the nation such as Alaska for which the market offers no viable alternative. Requiring that recipients of frozen Phase I CAF support begin in 2013 devoting that support to new broadband deployment ignores the existing needs of communities for whom that support has ensured affordable voice service. Requiring that carriers who accept Phase I CAF incremental support deploy broadband to at least one unserved location for every $775 in new support is unrealistic for most of Alaska. Now that the Commission has had nearly a year to develop a better understanding of the true costs of deploying broadband in Alaska, it should modify its Phase I CAF requirements to accommodate real-world constraints. Similarly, the Phase II CAF mechanism should be designed to capture the true forward-looking economic costs of deploying and operating broadband networks in the locations – such as rural Alaska – that the fund is designed to reach.

TABLE OF CONTENTS

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps To Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act	)	GN Docket No. 12-228

COMMENTS OF ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.

Alaska Communications Systems Group, Inc., on behalf of its operating subsidiaries ("ACS"),[1] submits these comments in response to the Commission's Ninth Broadband Progress Notice of Inquiry.[2]

I. INTRODUCTION AND OVERVIEW

In the Eighth Broadband Progress Report, the Commission reports that the "utility of and demand for broadband continue to grow as Americans find benefits in devices, applications, and services that use broadband in their homes, schools, businesses, and on the road."[3] The Commission also finds that a significant disparity in broadband availability persists between non-

---

1 In this proceeding, Alaska Communications Systems Group, Inc. represents four local

2 *Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps To Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act*, Ninth Broadband Progress Notice of Inquiry, GN Docket No. 12-288, FCC 12-91 (rel. Aug. 21, 2012) ("Ninth Broadband NOI").

3 *Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act*, Eighth Broadband Progress Report, GN Docket No. 11-121, FCC 12-90, ¶ 1 (rel. Aug. 21, 2012) ("Eighth Broadband Progress Report").

rural and rural areas of the nation.[4] In Alaska, nearly 49 percent of rural residents lack access to broadband.[5] Inadequate funding is the primary reason.

Access to broadband can be an essential economic, educational, and social tool for Alaskans, and should be supported by the Commission's universal service programs.[6] The Commission states that its ultimate goal in reforming universal service and creating the Connect America Fund ("CAF") is "to ensure that *all* areas get broadband-capable networks, whether through the operation of the market or through support from USF."[7] However, the Commission has not yet proposed a viable solution to bring broadband to rural Alaska, where the amount of private investment necessary could not be recovered under any reasonable business case in the absence of sufficient and predictable support.[8]

---

4 *See* Eighth Broadband Progress Report, Appendix C.

5 *See* Eighth Broadband Progress Report, Appendix C.

6 *See Connect America Fund*, WC Docket No. 10-90, *et al.*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, ¶ 3 (2011) (*USF/ICC Transformation Order*) ("Fixed and mobile broadband have become crucial to our nation's economic growth, global competitiveness, and civic life. Businesses need broadband to attract customers and employees, job-seekers need broadband to find jobs and training, and children need broadband to get a world-class education. Broadband also helps lower the costs and improve the quality of health care, and enables people with disabilities and Americans of all income levels to participate more fully in society. Community anchor institutions, including schools and libraries, cannot achieve their critical purposes without access to robust broadband. Broadband-enabled jobs are critical to our nation's economic recovery and long-term economic health, particularly in small towns, rural and insular areas, and Tribal lands.").

7 USF/ICC Transformation Order, ¶ 145 (emphasis in original).

8 The Commission is clear that the reforms addressed in the USF/ICC Transformation Order are focused "on costly-to-serve communities where even with [its] actions to lower barriers to investment nationwide, private sector economics still do not add up, and therefore the immediate prospect for stand-alone private sector action is limited." USF/ICC Transformation Order, ¶ 7. More pointedly, the Commission states that its USF/ICC Transformation Order is building "on federal and state universal service programs that have supported networks in *rural* America for many years." *See id.* (emphasis added). *See also* 47 U.S.C. § 254(e).

The Commission has an obligation under the Communications Act to remedy the disparity in broadband access by providing carriers sufficient support that reflects the real-world costs of providing broadband to rural, high-cost areas and enables them to obtain a reasonable return on their investments.[9] Without sufficient support, carriers will be unable to commit to broadband build-out, and there can be no expectation that broadband will be delivered to unserved and underserved areas, such as Alaska, in a reasonable and timely fashion.

II. DISCUSSION

A. Broadband Is Not Being Deployed In Most Rural, High-Cost Areas of Alaska

The Commission asks if broadband is being deployed to all Americans, noting that "all Americans" has been interpreted with its ordinary meaning of universal broadband deployment.[10] While the Commission acknowledges that its own Eighth Broadband Progress Report answers this question in the negative, the Commission continues to study the question and asks how it should improve its analysis.[11] While there are numerous ways to gather and evaluate data on broadband availability, ACS expects the numbers of Alaskans without access to broadband to remain largely the same unless the Commission addresses the reasons that broadband is not

---

9 *See* 47 U.S.C. § 254(b)(5)(the Commission must make available "specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service"). *See also* Telecommunications Act of 1996, Pub. L. No. 104-104, § 706, 110 Stat. 56, 153 (1996) *codified at* 47 U.S.C. §1302 (the Commission "shall encourage the deployment of advanced telecommunications capability to all Americans" including by "removing barriers to infrastructure investment").

10 *See* Ninth Broadband NOI, ¶ 37.

11 *See* Ninth Broadband NOI, ¶ 38. In particular, the Commission asks if it should incorporate consumer surveys or other data and whether the existence of broadband at community anchor institutions and publicly available Internet access points should affect its consideration of broadband deployment and availability. *See id.*

available to nearly 49 percent of rural residents – namely inadequate funding to cover the extraordinary costs.[12]

The overall number of Americans lacking access to broadband is six percent of the total United States population.[13] On average, less that two percent of the population in non-rural areas (or 4.5 million Americans) lack access to broadband, but in rural areas almost 25 percent of the population (or almost 14.5 million Americans) lack broadband access.[14] In sharp contrast to the nation as a whole, nearly 20 percent of Alaska's population – one in five residents – lacks access to broadband, and nearly 49 percent of the rural population – nearly half of all those living in rural areas. In light of the Commission's focus on lack of access to broadband in Tribal areas, it also is noteworthy that the entire state of Alaska is a Tribal area,[15] such that the lack of broadband availability in rural areas is also indicative of the lack of broadband availability in Tribal areas.

Among the 51 percent of rural Alaskans who are believed to have some form of broadband access, many are underserved, with access to a form of broadband deemed a bare minimum under the Commission's standards – nothing close the 4 Mbps the Commission wants incumbent local exchange carriers ("ILECs") to deploy in exchange for CAF support, not to mention the 10 Mbps to 100 Mbps that is available to most urban Americans.[16]

Since the data were gathered for the Eighth Broadband Progress Report, there has been no noticeable decrease in the percentage of customer locations in the ACS ILECs' service areas

---

12 *See* Eighth Broadband Progress Report, Appendix C.

13 *See* Eighth Broadband Progress Report, Appendix C.

14 *See* Eighth Broadband Progress Report, Appendix C.

15 ACS serves 44 tribes in various locations.

16 *See* Eighth Broadband Progress Report, Appendix C.

without access to broadband, nor does ACS expect any material change unless and until additional support becomes available, as discussed below.

B. Plans For Broadband Expansion In High-Cost Areas Are Limited By the CAF Rules

The Commission asks if broadband is being deployed in a reasonable and timely fashion, explaining that it interprets the phrase "is being deployed" to mean that "'existing deployment and current actions that will meaningfully affect broadband deployment in the near future . . . . [but not] general plans or goals to deploy broadband, particularly long-range plans or goals that are uncertain to be realized.'"[17] The answer depends almost entirely on the outcome of pending CAF proceedings. If the CAF rules are rationalized, with support proportionate to the actual cost of broadband deployment in price cap ILEC territories, then ACS would be far better positioned to support the broadband build-out obligations on which it is conditioned. Without sufficient support, there is no rational business plan for expansion of broadband to unserved areas in Alaska, in the near term or otherwise.

1. CAF Phase I Support Is Insufficient To Prompt Meaningful Broadband Expansion in Alaska

This year ACS expects to receive $19 million in CAF Phase I frozen support. This amount historically supported voice services at reasonable rates. Now ILECs must make do with the same amount of support but, in increasing percentages, build and operate broadband networks – 100 percent of the support must be used for broadband in 2015.[18] This amount of support is inadequate to ensure expansion of broadband to additional ACS customer locations.

---

17 Ninth Broadband NOI, ¶ 44, *quoting* Eighth Broadband Progress Report, Section IV.G.

18 *See* USF/ICC Transformation Order, ¶ 150.

ACS also accepted over $4.185 million in CAF Phase I incremental support in July 2012, with a commitment to expand broadband to 5,401 unserved locations. Despite its best efforts to accurately assess all that would be required to use this support to bring broadband to the required number of unserved locations, ACS has since determined that the amount of co-investment required to cover the cost of construction to all these locations is unlikely to generate sufficient revenue to produce an acceptable return on investment, or otherwise be economically sound. Additionally, new information has come to light that many of the locations originally targeted are deemed "served" by small, fixed wireless operators.[19] The CAF Phase I rules require that, if ACS accepts any incremental support, it must deploy broadband to one unserved location for each $775 in incremental support. Because the costs of deployment in the vast majority of the unserved portions of ACS's service areas in Alaska are far above the level at which $775 in incremental per-location support could rationalize the business case for broadband, ACS intends to seek a partial waiver of this rule to enable it to utilize the full CAF Phase I incremental support amount it received.[20] If ACS is not successful, it will be able to utilize less than half of the CAF Phase I incremental support it initially accepted. With only $775 per location in support, a reasonable business plan can be made for ACS to serve only a portion of the required number of locations.

---

[19] *See* Letter from Richard R. Cameron, Assistant Vice President and Senior Counsel, ACS, to Marlene H. Dortch, FCC, WC Docket Nos. 10-90, 07-135, 03-109, CC Docket Nos. 02-60, 01-92, 96-45, WT Docket No. 10-208, GN Docket No. 09-51 (filed Sept. 7, 2012); Letter from Richard R. Cameron, Assistant Vice President and Senior Counsel, ACS, to Marlene H. Dortch, FCC, WC Docket Nos. 10-90, 07-135, 03-109, CC Docket Nos. 02-60, 01-92, 96-45, WT Docket No. 10-208, GN Docket No. 09-51 (filed Sept. 6, 2012).

[20] ACS intends to seek a waiver of Section 54.312(b)(2) of the Commission's rules, 47 C.F.R. § 54.312(b)(2).

In short, ACS believes that the amount of CAF Phase I support is inadequate to spur immediate broadband deployment to any but a modest number of unserved Alaska locations, even with substantial capital investment from ACS.[21]

2. CAF Phase II Support May Prove To Be Insufficient To Prompt Broadband Expansion in Alaska If Support Is Not Based on Alaska Costs

ACS has actively participated in FCC efforts to implement the CAF Phase II program, with particular focus on the development of a predictive, forward-looking cost model to be used to allocate support among the price cap ILECs from a budget of $1.8 billion. ACS has demonstrated that many of the assumptions and variables that have gone into the modeling to date have failed to capture the forward-looking costs of deploying broadband in Alaska, which in many areas exceed those in the rest of the country by a wide margin. ACS has documented that the costs of expanding broadband to unserved locations in its rural service territory are especially high relative to the rest of the nation. Many of these costs are unique to Alaska; they include long loop lengths, lack of fiber-based middle mile facilities, transport over thousands of miles to reach the nearest Internet access point, lack of road and power infrastructure that necessitate alternative and expensive means of building and maintaining network facilities, sparse

[21] Similarly, the $185 million in CAF Phase I support that was turned down by other ILECs demonstrates more broadly that the $775 per location support is insufficient to spur immediate broadband deployment in most unserved locations. Two pending petitions for waiver also seek relief from the deployment requirement. *See* "FCC Kicks-Off 'Connect America Fund' With Major Announcement: Nearly 400,000 Unserved Americans in Rural Communities in 37 States Will Gain Access to High-Speed Internet Within Three Years," FCC News (rel. July 25, 2012) ("FCC News July 25")*; Connect America Fund; High-Cost Universal Service Support*, Windstream Election and Petition for Waiver, WC Docket Nos. 10-90 and 05-337 at 3 (filed July 24, 2012); *Connect America Fund; High-Cost Universal Service Support*, FairPoint Communications, Inc. Petition for Waiver of Sections 54.312(b)(2) and (3) of the Commission's Rules and Conditional Election of Incremental CAF Support, WC Docket Nos. 10-90 and 05-337 (filed September 10, 2012).

population that increases the per-unit cost of broadband, extremes of terrain and weather, a short construction season, and labor constraints.[22]

Thus far there is no rational model for distribution of support for Alaska under the CAF Phase II program,[23] though ACS will continue to work with the Commission and other parties to develop the necessary tools for a reasonable distribution of CAF II support among the price cap carriers.

If the true forward-looking costs of deploying broadband to unserved locations are not sufficiently supported, investors will not simply make up the difference. The result will be that broadband will continue to be unavailable in the most rural areas in Alaska. ACS estimates the real cost of expanding broadband to 100 percent of the unserved portions of its ILEC service territories to be at least $75 to $100 million.[24] Moreover, ACS estimates that another $50 to $75 million would be required to bring underserved locations in its ILEC service territories up to Commission target speeds for broadband.[25]

Without some certainty about the amount of support that will be made available under CAF Phase II, and the attendant regulatory requirements, ACS cannot "make broadband available to as many unserved locations as possible," as well as sustain voice service in high-cost

---

22 *See* Alaska Communications Presentation at FCC Workshop on CAF II Model (Sept. 13-14, 2012) ("ACS Phase II Model Presentation").

23 Currently ACS receives $19 million in frozen CAF I support, which has been essential to defray the costs of providing voice service at affordable rates. However, the CQBAT model under consideration by the Commission would reduce ACS's support to $12 million for CAF Phase II, requiring that ACS use the support to expand broadband, ultimately providing broadband to 100% of ACS's unserved areas within five years. *See Connect America Fund; High-Cost Universal Service Support*, Comments of Alaska Communications Systems Group, Inc., WC Docket Nos. 10-90 and 05-337 at 4-5 (filed July 9, 2012) ("ACS CAF Phase II Comments"); *see also* ACS Phase II Model Presentation.

24 *See, e.g.,* ACS Phase II Model Presentation.

25 *See* ACS Phase II Model Presentation.

areas that would not be served absent support.[26] If the amount of CAF Phase II support apportioned to ACS is not based on the real-world cost of deploying broadband to unserved areas in Alaska, or does not permit a reasonable return on investment, there is no business case under which expansion of broadband to the unserved portions of ACS's service territory would be justified, and broadband will not be expanded to cover all areas in Alaska in a reasonable and timely fashion.

C. Broadband Deployment In High-Cost Areas Requires Adequate Support

The Commission recognizes that the "'[h]igh costs of deploying and operating broadband networks . . . present barriers'" to infrastructure investment.[27] As indicated above, extremely high costs of deployment – resulting from low population densities, the need to deploy facilities to cover large geographic distances, forbidding terrain, climactic extremes, and other factors – create barriers to broadband deployment that are insurmountable at current funding levels. The return on investment is simply insufficient without a substantial infusion of additional support.

Under CAF Phase I, the Commission expects that ILECs will begin demonstrating in 2013 that they are extending broadband to unserved areas based on an amount of support that is frozen at 2011 levels, support that was never intended to Incremental CAF Phase I support is available, but the Commission has set the per-location support amount below the amount necessary to achieve maximum broadband deployment, in that only $115 million – less than 40 percent of the funding available – was accepted by the price cap carriers to which it was offered, and at least a portion of that accepted amount is unlikely to be used. It is unclear what amount of

---

[26] *See* ACS CAF Phase II Comments at 2, *quoting Wireline Competition Bureau Seeks Comment on Model Design and Data Inputs for Phase II of the Connect America Fund*, Public Notice, WC Dockets 10-90 and 05-337, DA 12-911 at 1 (Wireline Competition Bur. rel. June 8, 2012).

[27] Ninth Broadband NOI, ¶ 54, *quoting* Eighth Broadband Progress Report, Section V.

support will be made available under CAF Phase II, but the Commission has determined to make this support available for only a limited number of years. Neither CAF I nor CAF II will provide the level of sufficient, predictable support necessary to bridge the broadband divide between Alaska and the rest of the nation without significant modifications.

As noted above, under Section 254 of the Communications Act and Section 706 of the Telecommunications Act of 1996, the Commission has a responsibility to take affirmative steps to expedite the availability of advanced services to *all* unserved Americans.[28] As they currently are designed, the CAF mechanisms are not likely to provide sufficient support to ensure that unserved consumers in Alaska will have access to reasonably comparable services.[29] The Commission may not simply assume that such consumers will be served through the Remote Areas Fund ("RAF"). In the first place, as ACS noted in its reply comments on the Bureau's request for comment on model design and data inputs for CAF Phase II, "ACS is not aware of any coverage maps demonstrating satellite coverage at the prescribed broadband speeds in any part of Alaska north of Anchorage."[30] In the second place, the Commission set a budget of only $100 million for the RAF. Unless the entire fund is devoted to rural Alaska, it will be insufficient to deliver broadband to all unserved locations in the state.[31]

---

28 *See supra* note 9.

29 *See* 47 U.S.C. § 254(e).

30 *See Connect America Fund; High-Cost Universal Service Support*, Reply Comments of Alaska Communications Systems Group, Inc., WC Docket Nos. 10-90 and 05-337 at 18 (filed July 23, 2012). Unserved rural locations in Alaska cannot receive reasonably comparable service via satellite.

31 Pushing rural areas in Alaska into the RAF will only compound the lack of broadband deployment and availability in rural Alaska.

The Commission asks how it can accelerate broadband deployment and availability.[32] The most productive step the Commission can take is to commit to providing support for unserved locations at sufficiently high levels that, when combined with reasonable business investment, will be sufficient to cover all of the forward-looking costs of deploying broadband that is reasonably comparable in price and quality to what is available in urban areas, even in remote and insular locations such as Alaska. In the absence of such a commitment, the current policy trajectory will not lead to a meaningful expansion of broadband to the rural, unserved areas of Alaska.

III. CONCLUSION

For the foregoing reasons, the Commission may not conclude that advanced services are being deployed throughout the nation in a reasonable and timely fashion. In fact, broadband is being deployed far more rapidly in urban areas than in rural areas, and far more rapidly in the rest of the nation than in Alaska. For this trend to be changed, the Commission must affirmatively commit to making available sufficient and predictable levels of support for underserved areas such as Alaska for which the market offers no reasonable alternative.

Respectfully submitted,

/s/

Karen Brinkmann
Robin Tuttle
KAREN BRINKMANN PLLC
555 Eleventh Street, NW
Mail Station 07
Washington, D.C. 20004-1304
202-365-0325
KB@KarenBrinkmann.com

Counsel for ACS

Leonard A. Steinberg
General Counsel and Corporate Secretary
Richard R. Cameron
Assistant Vice President and Senior Counsel
ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.
600 Telephone Avenue
Anchorage, Alaska 99503

September 20, 2012

[32] *See* Ninth Broadband NOI, ¶ 55.